

MINUTES

AUDIT SUBCOMMITTEE OF THE LEGISLATIVE MANAGEMENT COMMITTEE

The Audit Subcommittee of the Legislative Management Committee met in Room 303, State Capitol Building, Salt Lake City, Utah, February 3, 2004, from 4:00 p.m. until 5:15 p.m.

Committee Members Present:

Speaker Martin R. Stephens, Co-Chairman
President Al Mansell, Co-Chairman
Senator Mike Dmitrich
Representative Brent Goodfellow

Legislative Audit Staff:

Wayne L. Welsh, Auditor General
John Schaff, Deputy Auditor General
Tim Osterstock, Audit Manager
James Behunin, Audit Supervisor
Janice Coleman, Audit Supervisor
Darren Marshall, Lead Auditor
Paul Hicken, Lead Auditor
Brian Dean, Sr Performance Auditor
Lynda Maynard, Recording Secretary
Kay Huntoon, Secretary

Other Interested Parties:

Lee Robinson, Superintendent, Utah Schools for the
Deaf and Blind (USDB)
Linda Rutledge, Asst. Superintendent, USDB
Vicki S Bell, Accounting Supervisor, USDB
Steven O. Laing, State Superintendent, State Office of
Education
Patti Harrington, Assoc Supr, State Office of Education
Rodney G. Marelli, Executive Director, State Tax Comm
Brad Simpson, USTC
Mark Johnson, State Tax Comm
Chuck Larsen, Comptroller, UDOT
Bill Worner, USDB Education Association
Tammie J Payette, USDB Education Association
Robyn Allred, USDB
Linda Smith, LCPD
Donna McCormick, LCPD
Leslie Gertsch, LCPD
Kris Lawrence, LCPD

Jan Ferre, LCPD
Carol Ruddell, USDB
William Young USILC
Ben Leishman, Legislative Fiscal Analyst
Paul Dayton, Senator Dmitrich' Office
Scot Ferre
Daniel Leatham
Stephanie Carson
Paul Foy, *Associated Press*
Lisa Roskelley, *Standard Examiner*
Shinika Sykes, *Salt Lake Tribune*

1. Call to Order

Speaker Stephens called the meeting to order at 4:00 p.m.

2. Approval of Minutes

Senator Dmitrich made a motion that the minutes from the December 15th meeting be approved. The motion passed.

3a. A Performance Audit of the Schools for the Deaf and Blind.

(Report #2004-01)

Presented by James Behunin, Audit Supervisor

This report addresses some of the specific concerns of state legislators regarding the Schools for the Deaf and the Blind. The report also describes several management practices that can be improved at the school. Specifically, the school's administration overstated the claim that its year-end cash balance is primarily made up of restricted funds. In fact, contrary to what they told legislators, the school actually has broad discretion in how it uses its cash reserves. Furthermore, the school has not always followed the guidelines described in statute for adjusting teacher salaries each year. To address these concerns and the other broad management issues described in this report, the State Board of Education will need to increase its oversight of the school.

The following summarizes the key findings:

USDB Had Sufficient Funds to Avoid Making Cuts in Staff. The USDB overstated its claim that it was forced to leave vacant six instructor positions in order to comply with the cuts imposed during the Legislature's July 2002 special session. Even after the Legislature reduced the school's non-lapsing balance by \$880,000, the USDB still began fiscal year 2003 with an additional \$850,000 in surplus funds. We found no support for the claims made by school officials that most of the surplus funds were legally restricted or otherwise committed. In addition to its surplus funds, the USDB also had access to a large amount of federal funds that were owed to the school but not collected. We found that the school had sufficient funds to fully staff its faculty during fiscal year

2003, but instead chose to leave nine positions vacant.

Salary Adjustment Needs to Comply with Established Procedures. During the past two years the USDB has not followed the process required by law for calculating its teachers' annual salary increase. When an adjustment was calculated for fiscal year 2003, mistakes were made that resulted in the teachers receiving less than they should have received. However, for fiscal year 2004, other mistakes were made that produced a greater salary increase than they should have received. Taken together, the mistakes largely balanced each other out.

Management of the School Can Improve. During our review of the overall management of the USDB, we identified three areas where the administration can improve. First, we found that USDB is not following some of the financial management practices that are considered appropriate by most school districts and state agencies. Second, we found that the outside oversight provided to USDB needs to improve. Either the State Board of Education (State Board) needs to be more involved, or the Institutional Council needs to be replaced with a strong governing board. Third, the school needs to do a better job of monitoring its effectiveness. The school does a good job of identifying specific education goals for each individual student. However, they can do a better job of reporting its success in accomplishing those goals. The school should also consider the individual education plans as they make decisions regarding how to allocate school resources.

Discussion following presentation:

Dr. Lee Robinson, Superintendent, Utah Schools for the Deaf and Blind (USDB), told the Audit Subcommittee that USDB wishes to assure the Legislature, the taxpayers of Utah and those served by USDB that no evidence of funds being misappropriated or used for anything but legitimate school purposes was found, although there is a clear need for major changes in budget procedures; that USDB intends to implement the recommendations provided by the auditors; and, like any operation, there are always possibilities for improvement.

Dr. Robinson continued his response by listing the following points:

- The Utah Schools for the Deaf and blind are funded as a state agency because they have no taxing authority.
- USDB follows state purchasing rules and follows personnel procedures of the Division of Human Resource Management.
- USDB seeks quality assurance from national and regional accrediting bodies. The USDB is currently accredited by the Council of Educators of the American Schools for the Deaf, the National Council for Agencies Serving the Blind and Visually Impaired, and the Northwest Association of Schools.
- Federal reviews of the deaf-blind services have consistently received high ratings.

Dr. Robinson summarized his response by saying that decisions were made at the particular time and circumstances that those decisions had to be made. The intent was always to provide services to the children and make sure they received quality education.

Steven O Laing, State Superintendent, Utah State Office of Education (USOE), responded to questions from President Mansell concerning oversight by the USOE. Mr. Laing said that the State Board of Education is more than willing to accept the recommendations in the audit and implement them.

Motion: President Mansell made a motion that the **Performance Audit of the Schools for the Deaf and Blind** (Report #2004-01) be referred to the Public Education Joint Appropriations Subcommittee and the House and Senate Education Standing Committees. The motion passed unanimously.

Speaker Stephens turned the remainder of the meeting over to President Mansell.

3b. A Performance Audit of the Division of Motor Vehicles

(Report #2004-02)

Presented by Janice Coleman, Audit Supervisor

The Tax Commission's Division of Motor Vehicles (DMV) has improved its efficiency over the last ten years. But, while it has made improvements, the DMV can better portray the cost of collecting revenues from vehicle transaction fees for the fee beneficiaries or recipients.

DMV is responsible for fee collections that support a number of state and county operations. Its centralized organizational structure was legislatively set to increase collection efficiency. The division's workload has increased dramatically in the last decade with annual transactions rising from 1.71 million in 1992 to 2.44 million in 2003. The division now collects about \$325 million in revenue a year.

Process-based Cost Identification Is Appropriate

DMV's operational costs are appropriately identified by a process-based allocation. In such an allocation system, the user share of cost is directly tied to the operational time and effort associated with that user—not with the amount of fees collected. Additionally, this process-based allocation includes all related Tax Commission direct costs that support the division's collection operation.

Under the process-based allocation system developed by the Office of the Legislative Auditor General (OLAG), 53.7 percent of DMV's workload is devoted to collecting fees for the Utah Department of Transportation (UDOT). Thus, 53.7 percent of the Tax Commission's motor vehicle fee collection costs would be allocated to UDOT under this system. OLAG's process-based allocation system also assigns costs to ten other beneficiaries of Tax Commission's collection efforts.

Recommendations

1. We recommend that if the Legislature chooses to allocate DMV costs to user agencies that they select a

process-based cost identification system to better reflect the actual cost of fee collections.

2. We recommend that if the Legislature chooses a process-based cost allocation that direct motor vehicle costs contained within other Tax Commission divisions be included in the cost allocation.
3. We recommend that the Tax Commission identify direct motor vehicle costs contained within other Tax Commission divisions.

The DMV Has Made Significant Improvements to Operations and Customer Service

As a result of legislative changes and improved processes, Utah's state/county motor vehicle registration system processes more transactions while using fewer staff than at any other time over the past ten years. Further, customer counter times for renewals is 40 percent faster now with the new Motor Vehicle Administration (MVA) system in place. Along with this improvement, customer line wait times have also declined an average of 17 percent. In fact, one Salt Lake office reduced its line wait time from 44 minutes in 2001 to 24 minutes in 2003, a 20 minute reduction.

Recommendation

1. The DMV should continue to explore and implement customer service improvements to alleviate periods of in-office, high customer volume.

Discussion following presentation:

Rodney G. Marrelli, Executive Director, Utah State Tax Commission, responded to the audit for the Tax Commission. Mr. Marrelli said that the Tax Commission agrees with the method suggested in the report as being one method that could be used by the Tax Commission. However, Mr. Marrelli said that the Tax Commission would need to be funded at the current level in order to maintain their service to the motor vehicle public and that policy decision, on where the funding comes from, belongs to the Legislature.

Mr. Marrelli concluded by telling the Audit Subcommittee that recent motor vehicle systems and process changes have made significant improvements in both productivity and customer service.

Representative Goodfellow inquired as to the possibility of permanent sites for the Division of Motor Vehicles Offices.

Mr. Marrelli said that they have been looking for a long-term lease but have been unable to find what they were looking for. He said they do have 5-year leases on properties in South Salt Lake and South Jordan but they would need funding from the Legislature for permanent locations.

Motion: Senator Dmitrich made a motion that the **Performance Audit of the Division of Motor Vehicles** (Report #2004-02) be referred to the Commerce and Revenue Joint Appropriations Subcommittee, the House and Senate Revenue and Taxation Standing Committees and the Transportation Study Interim Committee. The motion passed.

4. Audit Requests

Wayne Welsh, Auditor General, told the Audit Subcommittee that the report on Statewide Incentive Awards should be ready by the middle of February, but there were some unexpected delays that were being dealt with.

After discussing the status and placement of the “Future Audits”, the following motion was made.

Motion: Senator Dmitrich made a motion that the request for an audit of the Utah Transit Authority be moved from Number 2 on the Future Audits list to Number 5 and the remaining audit requests be moved up. The motion passed.

Mr. Welsh mentioned an interim study item concerning access to information by the Auditor General’s Office. Mr. Welsh asked if there would be any objection to putting this item on the list.

Motion: Representative Goodfellow made a motion that Item Number 4, addressing access to information by the Auditor General’s Office be added to the Interim Study List. The motion passed.

5. Adjournment

President Mansell adjourned the meeting at 5:15 p.m.